

# **BIORESOURCES BID ASSESSMENT FRAMEWORK – DRAFT GUIDANCE**

**NWL Consultation Response**

**January 2022**

**Northumbrian Water response to Bioresources Bid Assessment Framework – Draft Guidance**

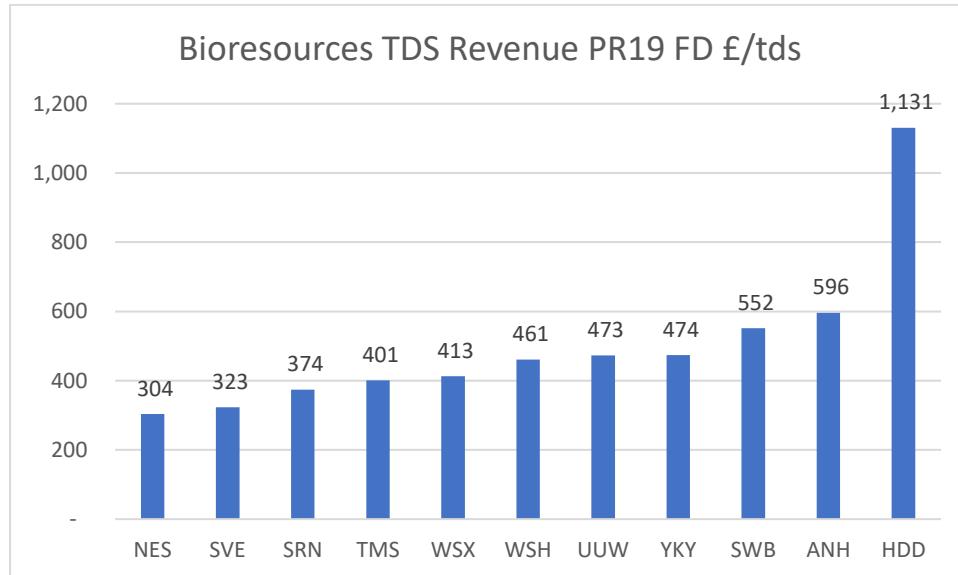
***Q1: Do you agree with, or have any comments on, the draft guidance for the bioresources bid assessment framework set out in this consultation?***

We support the Bid Assessment Framework draft guidance outlined in this document and encourage a collaborative and consistent approach across the sector to allow a transparent process for both the incumbent and bidder. We have previously suggested that a ‘bidding in’ market is likely to be more successful than a ‘bilateral one’, where sunk costs make in-area treatment more likely than exporting sludge.<sup>1</sup>

As Northumbrian Water is classed as the most efficient bioresources provider<sup>2</sup>, it seems likely that the opportunities for us will be around the importation of bioresources. We have the lowest ‘gate fee’ as set in the PR19 FD<sup>3</sup>. It is thus in our interests to have the most effective bid assessment frameworks in place to allow us to bid on a level playing field to import other Wascs bioresources.

**Chart 1: Northumbrian Water has the lowest bioresources ‘gate fee’**

**PR19 Financial models**



Although some barriers may initially remain, the framework will be a progressive step forward in realising the opportunity to actively consider the activity.

Our intention is to combine the water resources and bioresources bid assessment frameworks in a single document, with separate chapters where specific circumstances require it.

***Q2: Do you agree with, or have any comments on, our proposed timeline for implementation of the bioresources bid assessment framework?***

We support the development of the Bid Assessment Framework, however, have concerns in its implementation prior to the finalisation of the EA Sludge Strategy and clarification of enhancements associated with Industrial Emissions Directive compliance.

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<sup>1</sup> Northumbrian Water response to: Review of the Bioresources Market – consultation July 2021

<sup>2</sup> Ofwat PR19 Cost Assessment Model WWW2 Efficiency scores for BR and BRP models

<sup>3</sup> Ofwat PR19 Financial models, NWL updated for CMA FD

Recent EA sludge Strategy developments have indicated the probability of the final regulations impacting upon the businesses current operating model to which alternatives are being actively explored. It must be recognised that the EA Sludge Strategy, as currently proposed, will make bioresources bids unlikely to materialise.

I.E.D compliance will not impact upon the longer term ability to trade however there remains the possibility that the short term (remainder of AMP7) could be affected during periods of operational outages to enhance our assets and gain compliance. We would expect any BAF to set this out.

We agree that the BAF should be consulted upon by Wascs and any feedback considered. With that in mind, the 2022 timeframe as set out in the consultation is reasonable. It is helpful to de-couple market reforms like this from the Periodic Review process as this spreads the workload for what are often the same people. The end of 2022 should be set as a hard deadline, to avoid overlap with PR24 delivery.

***Q3: Do you have any thoughts or opinions on how company bid assessment frameworks can be best used to resolve the bioresources specific issues highlighted within 4.2?***

**Ref: 4.2.1 Contract Risk**

The Bid Assessment Framework must act as an enabler for incumbents to gain an enhanced level of knowledge in assessing the risk associated with continuity of treatment and disposal offered by the bidder.

The key to its success is ensuring the bidder truly understands their own operational risk in the first instance and are fully transparent and realistic in its available capacity based upon resilience.

In terms of the bidder the framework should clearly outline the quality specification to allow them to make informed decisions at the prequalification stage.

To ensure a level playing field, there should be a similar level of risk taken by the bioresources partners, both internal and external. This will require strong contractual commitment by third parties to ensure that Wascs have the same level of confidence in the third party provision as they have in the in-area provision.

If this is not provided, the Wasc will be entitled to take this into account when appraising the options.

**Ref: 4.2.2 Pre-Qualification**

Implementation of the Bid Assessment Framework should enhance the pre-qualification process for both the incumbent and bidder in terms of data quality, clearly establishing expectations and deliver a mechanism to efficiently filter assessments prior to entering the requirements of the full evaluation.

We agree that supportive two-way dialogue may be needed at this stage. This may be difficult to formalise in the BAF, but the principles of timely phone and email conversations, open discussion of information and even offering site visits are all examples of good practice.

The pre qualification stage could include the bidder signing a confidentiality agreement to allow it confidential STW data access (see 4.2.3).

**Ref: 4.2.3 Data Provision**

It would be expected that availability of data would be proportionate to fulfil the requirement of the pre-qualification stage then reviewed to align the information to fulfil completion of the full evaluation.

The data provided by the BAF should identify the specific opportunities for bioresources capacity requirements, for at least the next 10 years.

We suggest that the BAF should confirm that detailed information will be provided for the specified capacity requirements only. This will avoid over-onerous publication of full company data when only a specific site requirement is being considered.

Data sensitivity needs to be assessed during the development of the framework itself but, in principle, we would expect a Wasc to be prepared to share the relevant STW wastewater data with a third party bidder once a confidentiality agreement has been signed.

**Specified site information we would expect an incumbent to provide for third parties on request (post pre-qualification)**

- Delivery sites details
- Volumes per day/week/month
- Method of delivery – contractor (waste carrier licence) or in-house fleet plus delivery window/working hours
- Percentage of dry solids
- Screened/non screened
- Primary/secondary/mixed sludge type
- Sludge age (where available)
- Waste Transfer notes, or method of recoding both legislatively and for billing purpose

**The Incumbent WASC would require from the Bioresources provider:**

To remain BAS ( Biosolids Assurance Scheme) compliant we would need from the receiving site:

- Source Material Risk Assessment
- Treatment Site Risk Control form

**Ref: 4.2.4 Sludge Quality**

Implementation of the Bid Assessment Framework may deliver clarity around quality specifications; however, the difficulty will remain in terms of managing variability and consistency once trading has commenced.

This element in parallel with resilience continuity will leave barriers to overcome in terms of launching a successful Bid Assessment Framework and so patience will be required by all parties as the process is applied.

**Northumbrian Water**  
**January 2022**